

additional motions for dismissal or conversion, and take part in additional litigation that is expected to occur as the courts and debtors debate allowable expenses and other related issues. Although CBO cannot predict the amount of such litigation, we expect that, during the first few years following enactment of the bill, the amount of litigation could be significant, as parties test the new law's standards. In subsequent years, litigation could begin to subside as precedents are established. Based on information from the U.S. Trustees, CBO estimates that the U.S. Trustees would require 115 additional attorneys, paralegals, and analysts to address the increased workload. As a result, CBO estimates that implementing this provision would cost \$48 million over the next five years.

General Accounting Office (GAO), Small Business Administration (SBA), and U.S. Trustees Studies (Sections 103, 230, and 443). Section 103 would require the U.S. Trustees to conduct a study regarding the use of Internal Revenue Service expense standards for determining a debtor's current monthly expenses and the impact of these standards on debtors and bankruptcy courts. Section 230 would require GAO to conduct a study regarding the feasibility of requiring trustees to provide the Office of Child Support Enforcement information about outstanding child support obligations of debtors. Section 443 would require the Administrator of SBA, in consultation with the Attorney General, the U.S. Trustees, and the AOUSC, to conduct a study on small business bankruptcy issues. Based on information from U.S. Trustees, GAO, SBA, CBO estimates that completing the necessary studies would cost up to \$1 million in 2002, and less than \$500,000 in 2003.

Debtor Financial Management Test Training Program (Section 105). This section would require the U.S. Trustees to establish a test training program to educate debtors on financial management. The test training program would be authorized for six judicial districts over an 18-month period. Based on information from the U.S. Trustees, CBO estimates that about 90,000 debtors would participate if such a program were administered by the U.S. Trustees in fiscal years 2002 and 2003. At a projected cost of about \$40 per debtor, CBO estimates that this provision would cost \$4 million over the 2002-2004 period.

Credit Counseling Certification (Section 106). This section would require the U.S. Trustees to certify, on an annual basis, that certain credit counseling services could provide adequate services to potential debtors. Based on information from the U.S. Trustees, CBO estimates that the U.S. Trustees would require additional attorneys and analysts to handle the greater workload associated with certification. CBO estimates that enacting this provision would cost \$17 million over the next five years.

Maintenance of Tax Returns (Section 315). This section would authorize the AOUSC to receive and retain debtors' tax returns for the year prior to the commencement of the bankruptcy for chapter 7 and chapter 13 filings. Such collection and storage of tax returns would commence only at the request of a creditor. Based on information from the AOUSC, CBO expects that creditors will request tax information in about 25 percent of such cases. CBO estimates that implementing H.R. 333 would cost \$9 million over the next five years to store and provide access to over two million tax returns.

Changes in Bankruptcy Filing Fees (Sections 325 and 418). Section 325 would increase chapter 7 and chapter 13 bankruptcy filing fees and change the distribution of such fees. In addition, the bill would allow the U.S.

Trustee System Fund to collect 75 percent of chapter 11 filing fees. Under current law, the filing fee for chapter 7 and chapter 13 is \$155 and is divided between the U.S. Trustee System Fund, the AOUSC, the private trustee assigned to the case, and the remainder is recorded as a governmental receipt (i.e., revenue). Under H.R. 333, the filing fee for a chapter 7 case would be \$160, and income from this fee would be recorded in two different places in the budget. Of the \$160, \$65 would be recorded as an offsetting collection to the appropriation for the U.S. Trustee System Fund, and \$50 would be recorded as an offsetting receipt and spent without further appropriation by the AOUSC. The remainder of this fee would be spent by the private trustees assigned to each case. The bill would reduce the filing fee for a chapter 13 case to \$150 and change how the fee is recorded in the budget. The U.S. Trustee System Fund would receive \$105 and the AOUSC would receive \$45 per case. Under H.R. 333, no portion of chapter 7, chapter 11, or chapter 13 filing fees would be recorded as governmental receipts.

Section 418 would permit a bankruptcy court or district court to waive the chapter 7 filing fee and other fees for a debtor who is unable to pay such fees in installments. Based on information from the AOUSC, CBO expects that in fiscal year 2002 chapter 7 filing fees would be waived for about 3.5 percent of all chapter 7 filers and that the percentage waived would gradually increase to about 10 percent by fiscal year 2005.

Considering the expected reduction in the use of chapter 7 because of means-testing and the provision that would allow fee waivers, CBO estimates that implementing the new fee structure and changes in fee classifications would result in an increase in offsetting collections totaling \$279 million over the 2002-2006 period.

U.S. Trustee Site Visits in Chapter 11 Cases (Section 439). This section would expand the responsibilities of the U.S. Trustees in small business bankruptcy cases to include site visits to inspect the debtor's premises, review records, and verify that the debtor has filed tax returns. Based on information from the U.S. Trustees, CBO estimates that implementing section 439 would require about 20 additional analysts to conduct over 2,300 site visits each year. CBO estimates that implementing this provision would cost about \$11 million over the next five years for the salaries, benefits, and travel expenses associated with these additional personnel.

Compilation and Publication of Bankruptcy Data and Statistics (Sections 601-602). H.R. 333 would require the AOUSC to collect data on chapter 7, chapter 11, and chapter 13 cases and the U.S. Trustees to make such information available to the public. CBO estimates that it would cost about \$30 million over the 2002-2006 period to meet these requirements. Of the total estimated cost, about \$26 million would be required for additional legal clerks, analysts, and data base support. The remainder would be incurred by the U.S. Trustees for compiling data and providing Internet access to records pertaining to bankruptcy cases.

Audit Procedures (Section 603). Beginning 18 months after enactment, H.R. 333 would require that at least one out of every 250 bankruptcy cases under chapter 7, chapter 11, and chapter 13, plus other selected cases under those chapters, be audited by an independent certified public accountant. Based on information from the U.S. Trustees, CBO estimates that about 1.6 million cases would be subject to audits in fiscal year 2003, increasing to about 1.9 million in fiscal year 2006. CBO assumes that about 0.8 percent of those cases would be audited and that each audit would cost about \$1,000 (in 2001 dol-

lars). CBO also expects that the U.S. Trustees would need about 10 additional analysts and attorneys to support the follow-up work associated with the audits. We estimate that implementing this provision would cost \$68 million over the 2003-2006 period.

Additional Judgeships—Support Costs (Section 1224). This provision would extend five temporary bankruptcy judgeships and authorize 23 new temporary bankruptcy judgeships for 21 federal judicial districts. Based on information from the AOUSC, CBO assumes that about half of the 23 new positions would be filled by the beginning of fiscal year 2002 and the rest would be filled by the start of fiscal year 2003. Also, we anticipate that all five temporary judgeships would be filled by fiscal year 2003. We expect that discretionary expenditures for support costs associated with each judgeship would average about \$460,000 annually (in 2001 dollars). CBO estimates that the administrative support of additional bankruptcy judges would require an appropriation of less than \$500,000 in fiscal year 2001 and \$63 million over the 2002-2006 period. (Salaries and benefits for the judges are classified as mandatory spending, and those costs are described below.)

Federal Trade Commission Toll-Free Hotline (Section 1301). This section would require the Federal Trade Commission (FTC) to operate a toll-free number for consumers to calculate how long it would take to pay off a credit card debt if they were to make only the minimum monthly payments. Based on information from the FTC about the demand for the agency's other credit-related hotline, CBO expects that the FTC would receive about 20,000 calls each month. CBO estimates that the equipment and personnel necessary to serve this volume of inquiries would cost \$2 million in 2002 and \$6 million over the 2002-2006 period, subject to the appropriation of the necessary amounts.

Direct spending and revenues

Additional Judgeships (Section 1224). CBO estimates that enacting the means-testing provision (section 102) would impose some additional workload on the courts. Section 128 would authorize 23 new temporary bankruptcy judgeships and extend five existing temporary judgeships. Based on information from the AOUSC and other bankruptcy experts, CBO expects that the increase in the number of bankruptcy judges would be sufficient to meet the increased workload. Assuming that the salary and benefits of a bankruptcy judge would average about \$155,000 a year (in 2001 dollars), CBO estimates that the mandatory costs associated with the salaries and benefits of these additional judgeships would be less than \$500,000 in fiscal year 2001 and about \$18 million over the 2002-2006 period.

Changes in Bankruptcy Filing Fees (Sections 102, 325, and 418). Section 325 would change the classification of where bankruptcy filing fees are recorded in the budget. Under current law, filing fees are divided between the U.S. Trustee System Fund, the AOUSC, the private trustee assigned to the case, and the remainder is recorded as governmental receipts (i.e., revenues). The percentage of the fees allocated to these different parts of the budget varies by chapter. Under the fee structure specified in the bill, the portions of chapter 7, chapter 11, and chapter 13 filing fees that are now recorded as governmental receipts would be recorded as offsetting collections or offsetting receipts. Therefore, CBO estimates that enacting H.R. 333 would reduce governmental receipts by \$260 million over the 2002-2006 period. (The change in offsetting receipts would be matched by additional spending, resulting in no net change in direct spending.)